(9)

Supreme Court, U.S.
FILED
JUN 24 1998
CLERK

No. 97-1130

In The

Supreme Court of the United States

October Term, 1997

WAYNE K. PFAFF,

Petitioner,

vs.

WELLS ELECTRONICS, INC.,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

---

BRIEF OF AMICUS CURIAE MAS-HAMILTON GROUP IN SUPPORT OF RESPONDENT

David E. Schmit
Counsel of Record
Ann G. Robinson
Kevin S. Sprecher
FROST & JACOBS
Attorneys for Amicus
2500 PNC Center
201 East Fifth Street
Cincinnati, Ohio 45202
(513) 651-6800

BEST AVAILABLE COPY

15 pp

TABLE OF CONTENTS

Table of Contents..... i

Table of Authorities..... ii

Statement Of Interest..... 1

Summary Of Argument..... 1

Argument..... 3

I. This Court Should Adopt A Presumption To Be Used In Conjunction With The "Totality Of The Circumstances" Test Under 35 U.S.C. §102(b) Similar To The Presumption This Court Adopted For Use With The Doctrine Of Equivalents In *Warner-Jenkinson*..... 3

A. The *Warner-Jenkinson* Presumption..... 4

B. The Proposed "On Sale" Presumption..... 6

II. The "On-Sale" Presumption Is A Logical Extension Of The Patent Applicant's Already Existing Duty of Disclosure..... 7

III. This Court Has Frequently Adopted Evidentiary Presumptions Supported By Considerations Of Fairness, Public Policy, Probability And Judicial Economy..... 10

Conclusion..... 11

TABLE OF AUTHORITIES

CASES

Am. Hoist & Derrick Co. v. Sowa & Sons, 725 F.2d 1350 (Fed. Cir. 1984) 9

Basic, Inc. v. Levinson, 485 U.S. 224 (1993) 10

Brooktree Corp. v. Adv. Micro Devices, Inc., 977 F.2d 1555 (Fed. Cir. 1992) 9

U.S. Dept. of Just. v. Landano, 508 U.S. 165 (1993) 10

Fromson v. Adv. Offset Plate, Inc., 755 F.2d 1549 (Fed. Cir. 1985) 9

LaBounty Mfg., Inc. v. Intl Trade Commn., 958 F.2d 1066 (Fed. Cir. 1992) 6

Markman v. Westview Instr. Co., 517 U.S. 370 (1996) 4

MicroChem. v. Great Plains Chem. Co., 103 F.3d 1538 (Fed. Cir. 1997) 9

Paragon Podiatry Lab., Inc. v. KLM Lab., Inc., 984 F.2d 1182 (Fed. Cir. 1993) 7

TP Lab. v. Prof. Positioners, Inc., 724 F.2d 965 (Fed. Cir. 1984), *cert. denied*, 469 U.S. 826 (1984) 11

UMC Elect. Co. v. United States, 816 F.2d 647 (Fed. Cir. 1987) 6, 9

Warner-Jenkinson Co. v Hilton Davis Chem. Co., 117 S. Ct. 1040 (1997) 2, 3, 4, 5, 8

STATUTES

35 U.S.C. §102(b) 1, 2, 3, 6 11

35 U.S.C. §282 .....2, 6, 9

37 C.F.R. §1.56 7

MISCELLANEOUS

Brief of Biotechnology Industry Organization as Amicus Curiae in Support of Respondent, at 14, in *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 117 S. Ct. 1040 (1997) (No. 95-728) 7

Paul Michel, *A Review of Recent Decisions of the United States Court of Appeals for the Federal Circuit: Introduction: The Challenge Ahead: Increasing Predictability in Federal Circuit Jurisprudence for the New Century*, 43 AM. U. L. REV. 1231, 1241 - 1242 (1994) 3

STATEMENT OF INTEREST

Amicus Mas-Hamilton Group is a Kentucky Corporation having its principal place of business in Lexington, Kentucky. Mas-Hamilton Group is in the business of designing, manufacturing and selling high security electronic locks and related products.

Mas-Hamilton is the owner of numerous patents pertaining to its locks. It relies on its technical innovations to differentiate itself from its competitors, who also own patents in this field. As a result, it is important that Mas-Hamilton be able to assess the strengths and weaknesses of its and its competitors' patent portfolios. Thus, Mas-Hamilton has an interest in developing a predictable and certain patent system. We urge this Court to provide more certainty in the patent system by adopting a rule to be used in conjunction with the "totality of circumstances" test in determining whether there has been barring "on-sale" activity, under 35 U.S.C. §102(b).

Mas-Hamilton files this amicus brief on behalf of respondent, Wells Electronics, Inc.[1] The parties have consented to the filing of this brief and their letters of consent are filed herewith.

SUMMARY OF ARGUMENT

Under 35 U.S.C. §102(b), a patent applicant is entitled to a patent for his invention unless he has placed his invention "on sale" more than one year before filing his application. Whether an invention is "on sale" is determined by the

---

[1] No counsel for a party authored any part of this brief. Only *amicus curiae* made a monetary contribution to the preparation and submission of this brief.

totality of the circumstances. In this Brief, Amicus Mas-Hamilton proposes a new rule to supplement the "totality of the circumstances" consideration. Under this new rule, similar to the presumption created by this Court in *Warner-Jenkinson*, when the patent applicant fails to disclose to the Patent Office, during the prosecution of his patent application, any activity that a reasonable examiner would consider important in deciding whether the activity was a sale or offer for sale under 35 U.S.C. §102(b), it should be presumed that such activity has placed the invention "on-sale". This presumption would apply even if the activity could be considered experimental or pertaining to an invention that has not been completed or reduced to practice. This presumption may be rebutted if the patent owner can establish a reason that the activity in dispute was not "on-sale" activity.

This proposed presumption does not affect the statutory presumption of validity of an issued patent, under 35 U.S.C. §282. It merely shifts the burden of coming forward with evidence to rebut a prima facie case that on-sale activity has occurred. Accordingly, in the absence of evidence to rebut the proposed "on-sale" presumption, the presumption of validity of the patent would either be overcome or more easily rebutted.

ARGUMENT

I. This Court Should Adopt A Presumption To Be Used In Conjunction With The "Totality Of The Circumstances" Test Under 35 U.S.C. §102(b) Similar To The Presumption This Court Adopted For Use With The Doctrine Of Equivalents In *Warner-Jenkinson*.

By agreeing to review another patent case, this Court is afforded the opportunity to inject additional certainty[2] into

---

[2] Judge Michel of the Court of Appeals of the Federal Circuit has summarized the dangers of uncertainty in the patent system:

> Although unpredictability is invisible, it pervades our case law and harms not only potential litigants but also others in the same industry. Uncertain litigation outcomes have several ramifications on technological invention. If an invention's patentability is uncertain, individual and corporate inventors alike may elect not to disclose it in a patent application that, under present law, becomes public upon allowance. Instead, they may decide to maintain it as a trade secret. Similarly, if the sustainability of a patent is uncertain, the incentive to file is diminished, if not eliminated. As a result, the benefit of disclosure of the invention, both as something others may make or use (under license) and as a clue to further technological advances, is lost. Even worse, a company assessing uncertain legal outcomes may be sufficiently discouraged from investing in the necessary research -- often costing tens of millions of dollars -- that the invention is simply never made.
>
> The same disincentives, also stemming from uncertainty, plague the patentee's competitor. The competitor must ask, "Can I manufacture my product without infringing another's patent? How can I know in advance?" Even if no reasonable construction of the claims suggests literal infringement, the competitor will still wonder whether the court may nevertheless someday find infringement under the doctrine of equivalents. Unless the competitor finds adequate assurances against liability in an opinion letter from counsel, he may elect not to market a product. The public may thereby be deprived of a significant improvement. Thus, even though the patent law system is supposed to encourage

yet another area of patent law. It continues the work begun in *Markman v. Westview Instruments Co.*[3] and *Warner-Jenkinson, Inc. v. Hilton Davis Chemical Co.*[4]

A. The *Warner-Jenkinson* Presumption.

In *Warner-Jenkinson*, this Court addressed the problem of defining "the proper scope of the doctrine [of equivalents]." 117 S. Ct. at 1045.

> Under this doctrine, a product or process that does not literally infringe upon the express terms of a patent claim may nonetheless be found to infringe if there is 'equivalence' between the elements of the accused product or process and the claimed elements of the patented invention.

Id. The scope of equivalents is limited by prosecution history estoppel. *Warner-Jenkinson*, 117 S. Ct. at 1049.

Uncertainty with regard to the scope of a patent claim arises when the record created in the Patent Office during prosecution of the patent application is not complete. *Warner-Jenkinson*, 117 S. Ct. at 1051. This uncertainty

---

improvements and "design arounds," the assurance of non-liability must outweigh the risk of liability and related damages or the competitor will cease efforts to offer the public better, or cheaper, devices.

Paul Michel, *A Review of Recent Decisions of the United States Court of Appeals for the Federal Circuit: Introduction: The Challenge Ahead: Increasing Predictability in Federal Circuit Jurisprudence for the New Century*, 43 AM. U. L. REV. 1231, 1241 - 1242 (1994).

[3] *Markman v. Westview Instr. Co.*, 517 U.S. 370 (1996) (clarifying that patent claim construction is a question of law for the court).

[4] *Warner-Jenkinson Co. v Hilton Davis Chem. Co.*, 117 S. Ct. 1040 (1997) (emphasizing the continued existence of the doctrine of equivalents).

often does not become apparent until years after the patent has issued when, for example, a competitor will be required to make business decisions based on his or her understanding of the scope of the patent claim. This understanding is developed from a reading of the patent and a review of the record created in the Patent Office, which is the only information available to the competitor.

To minimize this uncertainty, this Court decided to

> place the burden on the patentholder to establish the reason for an amendment required during patent prosecution. Where no explanation is established, however, the court should presume that the PTO had a substantial reason related to patentability for including the limiting element added by amendment. . . The presumption [this Court has] described, one subject to rebuttal if an appropriate reason for a required amendment is established, gives proper deference to the role of claims in defining an invention and providing public notice, and to the primacy of the PTO in ensuring that the claims allowed cover only subject matter that is properly patentable in a proffered patent application.

Id.

This presumption reduces uncertainty by encouraging patent applicants to create a complete record by including reasons for claim amendments. In this way, the record is more accurate because it is created, while the patent is being prosecuted, by the individual who is in the best position to know the reason for the claim amendment. Under this presumption, where the record is incomplete and the scope of the claims is at issue, the patentee bears the burden of coming forward with evidence of the reason for the change.

B. The Proposed "On Sale" Presumption.

In the same way, this Court is urged, in its consideration of the "on sale" bar to patent validity[5], to again adopt a presumption to fill a gap in the patent prosecution history. Should the patent applicant fail to disclose to the Patent Office during the prosecution of the patent application any activity that a reasonable examiner[6] would consider important in deciding whether the activity was a sale or offer for sale under 35 U.S.C. §102(b), it should be presumed that such activity has placed the invention "on sale". This presumption would apply even if the activity could be considered experimental or pertaining to an invention that has not been completed or reduced to practice. This presumption may be rebutted if the patent owner can establish a reason that the activity in dispute was not "on sale" activity.

This proposed presumption does not affect the statutory presumption of validity of an issued patent, under 35 U.S.C. §282. It merely shifts the burden of coming forward with evidence to rebut a prima facie case that "on sale" activity has occurred. Accordingly, in the absence of evidence to rebut the proposed "on sale" presumption, the presumption of validity of the patent would either be overcome or more easily rebutted.

This "on sale" presumption will introduce additional certainty into this area of the patent law in at least two ways. First, it will encourage creation of a complete record of the

---

[5] 35 U.S.C. §102(b) ("A person shall be entitled to a patent unless . . . (b) the invention was . . . on sale in this country, more than one year prior to the date of the application for patent in the United States . . .") *See also, UMC Elect. Co. v. United States,* 816 F.2d 647 (Fed. Cir. 1987).

[6] This standard is the same as that adopted by the Federal Circuit in *LaBounty Mfg., Inc. v. Int'l Trade Comm'n.*, 958 F.2d 1066 (1992).

patent prosecution[7] by the applicant with regard to "on sale" activity. The applicant is the one who is in the best position to know about such activity.[8] Secondly, for those patents that have already issued without a complete record of "on sale" activity, the presumption will serve to place the burden of producing evidence on the party in a better position to know of potential commercial activity that occurred more than one year before the filing of the patent application.

II. The "On Sale" Presumption is a logical extension of the patent applicant's already-existing duty of disclosure.

This "on sale" presumption is a logical extension of the patent applicant's existing duty of disclosure under 37 C.F.R. §1.56:

> A patent by its very nature is affected with a public interest. The public interest is best served, and most effective patent examination occurs when, at the time an application is being examined, the Office is

---

[7] "The prosecution of a patent application is conducted outside of the public eye. It is a process during which only the PTO and the inventor communicate with each other to the exclusion of any third party, usually in the form of written correspondence, briefs, etc., but sometimes in face-to-face or telephonic meetings (such oral communications are typically summarized in written form by the examiner, and this written summary also becomes a part of the file). However, once a patent is granted and issued by the PTO, all of the correspondence between the PTO and the inventor is available to the public. The file which comprises such correspondence can be referred to as the "prosecution history" file. Brief of Biotechnology Industry Organization as Amicus Curiae in Support of Respondent, at 14, *Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co.* 117 S. Ct. 1040 (1997) (No. 95-728).

[8] *See, e.g., Paragon Podiatry Lab., Inc. v. KLM Lab., Inc.,* 984 F.2d 1182, 1193 (Fed. Cir. 1993) ("The concealment of sales information can be particularly egregious because, unlike the applicant's failure to disclose, for example, a material patent reference, the examiner has no way of securing the [sales] information on his own.").

> aware of and evaluates the teachings of all information material to patentability. Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty of disclosure to the Office all information known to that individual to be material to patentability . . . Under this section, information is material to patentability when it is not cumulative to information already of record or being made of record in the application, and (1) It establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim; . . .

Thus, disclosing potential "on sale" activity does not impose a new burden on the patent applicant. The obligation of complete disclosure to the Patent Office already exists. By failing to disclose this information during prosecution of the application, the patent owner runs the risk of having to shoulder the burden of producing evidence to overcome the presumption years later.

Like the presumption in *Warner-Jenkinson*, this presumption regarding "on sale" activity does not alter the underlying patent law principle to which it applies. In *Warner-Jenkinson*, the presumption did not change the doctrine of equivalents, it merely

> gives proper deference to the role of claims in defining an invention and providing public notice, and to the primacy of the PTO in ensuring that the claims allowed cover only subject matter that is properly patentable in a proffered patent application.

Warner-Jenkinson, 117 S. Ct. at 1051.

Similarly, the presumption regarding "on sale" activity does not change the "totality of the circumstances" test[9] used by the Federal Circuit to determine whether there is barring "on sale" activity. Rather, it provides public notice and gives deference to the "primacy of the PTO in ensuring that the claims allowed cover only subject matter that is properly patentable."

By encouraging patent applicants to fully disclose <u>all</u> activities during prosecution of the patent, the public will be able to know that the examiner considered whether there was barring "on sale" activity. In addition, the patent examiner will have the benefit of all available information, which he or she otherwise does not have access to, when making the determination of patentability of the claimed invention. As a result, the presumption of validity[10] will be strengthened.

---

[9] *See, e.g., MicroChem. v. Great Plains Chem. Co.*, 103 F. 3d 1538, 1541 (Fed. Cir. 1997); *UMC Electronics Co. v. United States*, 816 F.2d 647, 653 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1025 (1988).

[10] An issued United States patent is presumed to be valid. 35 U.S.C. §282. This presumption of validity is based in part on the expertise of the patent examiners. *Brooktree Corp. v. Adv. Micro Devices, Inc.*, 977 F.2d 1555, 1574 (Fed. Cir. 1992). The PTO is entitled to

> the deference that is due to a qualified government agency presumed to have properly done its job, which includes one or more examiners who are assumed to have some expertise in interpreting the references and to be familiar from their work with the level of skill in the art and whose duty it is to issue only valid patents.

Am. Hoist & Derrick Co. v. Sowa & Sons, 725 F.2d 1350, 1359 (Fed. Cir. 1984); *see also, Fromson v. Adv. Offset Plate, Inc.*, 755 F.2d 1549, 1558 (Fed. Cir. 1985).

III. This Court Has Frequently Adopted Evidentiary Presumptions Supported By Considerations Of Fairness, Public Policy, Probability And Judicial Economy.

"This Court previously has upheld the use of evidentiary presumptions supported by considerations of 'fairness, public policy, and probability, as well as judicial economy." *U.S. Dept. of Just. v. Landano*, 508 U.S. 165, 174 (1993) (quoting *Basic, Inc. v. Levinson,* 485 U.S. 224, 225 (1993)). In the context of the "on sale" bar, each of these considerations is advanced by the proposed "on sale" presumption.

The patent applicant is in the best position to know of any activity that could be considered "on sale activity." The applicant has personal knowledge of any activity. It is fairer that the applicant be burdened with the need to produce evidence than any potential infringer or competitor trying to design around, or defend against, a patent years later.

The proposed presumption supports the public policy of promoting certainty and public faith in the patent system by encouraging full disclosure during patent prosecution. In this way, examiners have the necessary information in front of them as they determine patentability of claims. Furthermore, others reviewing the file history of an issued patent can draw conclusions with more certainty regarding the patent's validity.

Additionally, the proposed presumption, which encourages full disclosure during patent prosecution, results in a more credible record. It is reasonable to conclude that those activities not disclosed may have been barring "on

sale" activities. Self-serving declarations of an inventor during litigation are thereby obviated.[11]

Judicial economy is also served by this presumption. It reduces the number of justiciable issues in a patent dispute. It lessens the likelihood that patent validity, in light of the "on sale" bar, will be challenged. This will promote more streamlined, certain, and cost effective litigation. And it will conserve already scarce judicial resources.

CONCLUSION

For the foregoing reasons, this Court should provide more certainty in the patent system by adopting the foregoing presumption to be used in conjunction with the "totality of circumstances" test in determining whether there has been barring "on sale" activity, under 35 U.S.C. §102(b).

Respectfully submitted,

David E. Schmit
Counsel of Record
Ann G. Robinson
Kevin S. Sprecher
FROST & JACOBS
Attorneys for Amicus
2500 PNC Center
201 East Fifth Street
Cincinnati, Ohio 45202
(513) 651-6800

---

[11] *TP Lab. v. Prof. Positioners, Inc.*, 724 F.2d 965, 972 (Fed. Cir. 1984), *cert. denied,* 469 U.S. 826 (1984) ("[T]he expression by an inventor of his subjective intent to experiment, particularly after institution of litigation, is generally of minimal value.").